

RIVES TOWNSHIP  
JACKSON COUNTY - MICHIGAN  
FINANCIAL STATEMENTS  
Year Ended March 31, 2008

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# **Dove & Hickey, P.L.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

209 E. Washington Ave., Suite 255 • Jackson, Michigan 49201  
Phone (517) 796-8880 • Fax (517) 796-8777

**MEMBERS:**

**AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**GEORGE DOVE, C.P.A.  
PAUL T. HICKEY, C.P.A.  
NANNETTE M. SPONSLER, C.P.A.  
ALLISON I. COLE, C.P.A.**

## **INDEPENDENT AUDITOR'S REPORT**

Township Board  
Rives Township  
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Rives Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Rives Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Rives Township as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. Rives Township has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of the financial statements.

# **Dove & Hickey, P.L.C.**

September 9, 2008

RIVES TOWNSHIP  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 221,704	\$ -0-	\$ 221,704
Investments	3,713	66,379	70,092
Receivables:			
Taxes	7,779	-0-	7,779
Special assessments - current	10,333	26,990	37,323
Other	787	-0-	787
Due from other governmental units	62,580	4,941	67,521
Prepaid expenses	21,140	-0-	21,140
Special assessments - net of current portion	134,334	1,023,115	1,157,449
Capital assets - net	<u>684,846</u>	<u>-0-</u>	<u>684,846</u>
Total assets	<u>1,147,216</u>	<u>1,121,425</u>	<u>2,268,641</u>
<u>LIABILITIES:</u>			
Accounts payable	26,127	-0-	26,127
Accrued interest	8,570	-0-	8,570
Accrued other liabilities	9,728	-0-	9,728
Long-term debt:			
Due within one year	29,740	-0-	29,740
Due in more than one year	<u>311,196</u>	<u>-0-</u>	<u>311,196</u>
Total liabilities	<u>385,361</u>	<u>-0-</u>	<u>385,361</u>
<u>NET ASSETS:</u>			
Invested in capital assets - net of related debt	498,910	-0-	498,910
Restricted:			
Debt service	7,773	1,121,425	1,129,198
Building permits	4,185	-0-	4,185
Unrestricted	<u>250,987</u>	<u>-0-</u>	<u>250,987</u>
Total net assets	<u>\$ 761,855</u>	<u>\$1,121,425</u>	<u>\$1,883,280</u>

See accompanying notes to financial statements.

RIVES TOWNSHIP  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year Ended March 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>
<b>GOVERNMENTAL</b> <b>ACTIVITIES:</b>				
General government	\$ 250,338	\$ 14,654	\$ -0-	\$ -0-
Public Safety	185,492	26,822	-0-	-0-
Public works	276,342	49,408	-0-	159,023
Recreation and culture	6,034	-0-	-0-	-0-
Community and economic development	<u>10,191</u>	<u>675</u>	<u>-0-</u>	<u>-0-</u>
Total governmental activities	<u>728,397</u>	<u>91,559</u>	<u>-0-</u>	<u>159,023</u>
<b>BUSINESS-TYPE</b> <b>ACTIVITIES:</b>				
Sewer	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,121,331</u>
Total business-type activities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,121,331</u>
Total governmental and business-type activities	<u>\$ 728,397</u>	<u>\$ 91,559</u>	<u>\$ -0-</u>	<u>\$1,280,354</u>

GENERAL REVENUES:

Property taxes  
State-shared revenues  
Investment earnings  
Cable franchise fees  
Total general revenues

CHANGES IN NET ASSETS

NET ASSETS -  
BEGINNING OF YEAR

NET ASSETS - END OF YEAR

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$ 235,684)	\$ -0-	(\$ 235,684)
(158,670)	-0-	(158,670)
(67,911)	-0-	(67,911)
(6,034)	-0-	(6,034)
<u>(9,516)</u>	<u>-0-</u>	<u>(9,516)</u>
<u>(477,815)</u>	<u>-0-</u>	<u>(477,815)</u>
<u>-0-</u>	<u>1,121,331</u>	<u>1,121,331</u>
<u>-0-</u>	<u>1,121,331</u>	<u>1,121,331</u>
<u>(477,815)</u>	<u>1,121,331</u>	<u>643,516</u>
96,208	-0-	96,208
327,417	-0-	327,417
6,249	94	6,343
<u>3,061</u>	<u>-0-</u>	<u>3,061</u>
<u>432,935</u>	<u>94</u>	<u>433,029</u>
(44,880)	1,121,425	1,076,545
<u>806,735</u>	<u>-0-</u>	<u>806,735</u>
<u>\$ 761,855</u>	<u>\$1,121,425</u>	<u>\$1,883,280</u>

RIVES TOWNSHIP  
BALANCE SHEET -  
GOVERNMENTAL FUNDS  
March 31, 2008

	General Fund	Road - Special Assessment Fund	Other Non-Major Governmental Fund - Building Fund	Total Governmental Funds
<u>ASSETS:</u>				
Cash and cash equivalents	\$ 215,549	\$ -0-	\$ 6,155	\$ 221,704
Investments	-0-	3,713	-0-	3,713
Receivables:				
Taxes	7,779	-0-	-0-	7,779
Special assessments	-0-	144,667	-0-	144,667
Other	787	-0-	-0-	787
Due from other governments	58,520	4,060	-0-	62,580
Prepaid expenses	<u>21,140</u>	<u>-0-</u>	<u>-0-</u>	<u>21,140</u>
Total assets	<u>\$ 303,775</u>	<u>\$ 152,440</u>	<u>\$ 6,155</u>	<u>\$ 462,370</u>
<u>LIABILITIES AND FUND BALANCES:</u>				
Liabilities:				
Accounts payable	\$ 24,157	\$ -0-	\$ 1,970	\$ 26,127
Accrued wages	6,423	-0-	-0-	6,423
Accrued expenses	3,305	-0-	-0-	3,305
Deferred revenue	<u>-0-</u>	<u>144,667</u>	<u>-0-</u>	<u>144,667</u>
Total liabilities	<u>33,885</u>	<u>144,667</u>	<u>1,970</u>	<u>180,522</u>
Fund balances:				
Unreserved:				
Designated	20,000	-0-	-0-	20,000
Undesignated	<u>249,890</u>	<u>7,773</u>	<u>4,185</u>	<u>261,848</u>
Total fund balances	<u>269,890</u>	<u>7,773</u>	<u>4,185</u>	<u>281,848</u>
Total liabilities and fund balances	<u>\$ 303,775</u>	<u>\$ 152,440</u>	<u>\$ 6,155</u>	<u>\$ 462,370</u>

See accompanying notes to financial statements.

RIVES TOWNSHIP  
RECONCILIATION OF FUND BALANCES ON THE  
BALANCE SHEET FOR GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS -  
GOVERNMENTAL FUNDS  
March 31, 2008

Fund balances - total Governmental funds	\$ 281,848
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	684,846
Revenues that do not provide current financial resources are not reported as revenue in the funds	144,667
Accrued interest payable is not included as a liability in governmental funds	(8,570)
Long-term liabilities not due and payable in the current period and are not reported in the governmental funds:	
Long-term debt payable	<u>(340,936)</u>
Net assets of governmental activities	<u>\$ 761,855</u>

See accompanying notes to financial statements.



RIVES TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year Ended March 31, 2008

	General Fund	Road - Special Assessment Fund	Other Non-Major Governmental Fund - Building Fund	Total Governmental Funds
REVENUES:				
Taxes and penalties	\$ 105,080	\$ -0-	\$ -0-	\$ 105,080
Licenses and permits	3,736	-0-	26,822	30,558
State sources	327,417	-0-	-0-	327,417
Charges for services	49,408	-0-	-0-	49,408
Interest	6,220	4,052	-0-	10,272
Other revenues	<u>10,022</u>	<u>10,333</u>	<u>-0-</u>	<u>20,355</u>
Total revenues	<u>501,883</u>	<u>14,385</u>	<u>26,822</u>	<u>543,090</u>
EXPENDITURES:				
Current:				
General government	243,736	-0-	-0-	243,736
Public safety	107,969	-0-	28,757	136,726
Public works	108,352	155,147	-0-	263,499
Community and economic development	10,191	-0-	-0-	10,191
Recreation and culture	5,425	-0-	-0-	5,425
Debt service	<u>38,725</u>	<u>6,465</u>	<u>-0-</u>	<u>45,190</u>
Total expenditures	<u>514,398</u>	<u>161,612</u>	<u>28,757</u>	<u>704,767</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(12,515)</u>	<u>(147,227)</u>	<u>(1,935)</u>	<u>(161,677)</u>
OTHER FINANCING SOURCES:				
Bond proceeds	<u>-0-</u>	<u>155,000</u>	<u>-0-</u>	<u>155,000</u>
Total other financing sources	<u>-0-</u>	<u>155,000</u>	<u>-0-</u>	<u>155,000</u>
NET CHANGE IN FUND BALANCE	(12,515)	7,773	(1,935)	(6,677)
FUND BALANCES - BEGINNING OF YEAR	<u>282,405</u>	<u>-0-</u>	<u>6,120</u>	<u>288,525</u>
FUND BALANCES - END OF YEAR	\$ <u>269,890</u>	\$ <u>7,773</u>	\$ <u>4,185</u>	\$ <u>281,848</u>

See accompanying notes to financial statements.

RIVES TOWNSHIP  
RECONCILIATION OF STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
March 31, 2008

Net change in fund balance - total Governmental funds	(\$ 6,677)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	4,791
Interest expense is reported in the statement of activities when incurred; it is not reported in governmental funds until paid	212
Depreciation on capital assets reported as part of governmental activities	(61,209)
Revenues earned but not available for current resources are not reported in the funds	144,667
Governmental funds report bond proceeds as other financing sources; in the statement of activities (where it increases long-term debt)	(155,000)
Repayment of note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>28,336</u>
Changes in net assets of governmental activities	(\$ <u>44,880</u> )

See accompanying notes to financial statements.

RIVES TOWNSHIP  
STATEMENT OF NET ASSETS -  
PROPRIETARY FUND  
March 31, 2008

	Business-Type Activities <u>Enterprise Fund</u> Sewer <u>Fund</u>
<u>ASSETS:</u>	
Investments	\$ 66,379
Receivables:	
Special assessments - current	26,990
Due from other governmental units	<u>4,941</u>
Total current assets	<u>98,310</u>
Special assessments - net of current portion	<u>1,023,115</u>
Total noncurrent assets	<u>1,023,115</u>
Total assets	<u>1,121,425</u>
<u>LIABILITIES</u>	<u>-0-</u>
<u>NET ASSETS:</u>	
Restricted for debt service	<u>1,121,425</u>
Total net assets	<u>\$1,121,425</u>

See accompanying notes to financial statements.

RIVES TOWNSHIP  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS -  
PROPRIETARY FUND  
March 31, 2008

	Business-Type Activities <u>Enterprise Fund</u> Sewer <u>Fund</u>
NON-OPERATING REVENUES	
(EXPENSES):	
Connection fees	\$1,121,331
Interest income	<u>94</u>
Total non-operating revenues	
(expenses) - net	<u>1,121,425</u>
NET INCOME	<u>1,121,425</u>
NET ASSETS, BEGINNING OF YEAR	<u>-0-</u>
NET ASSETS, END OF YEAR	<u>\$1,121,425</u>

See accompanying notes to financial statements.

RIVES TOWNSHIP  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
March 31, 2008

	Business-Type Activities <u>Enterprise Fund</u> Sewer <u>Fund</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Connection fees	\$ <u>66,285</u>
Net cash provided (used) by capital and related financing activities	<u>66,285</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in investments	(66,379)
Interest income	<u>94</u>
Net cash provided (used) by investing activities	<u>(66,285)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	-0-
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>-0-</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u><u>-0-</u></u>

See accompanying notes to financial statements.

RIVES TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Rives Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Rives Township.

Reporting Entity

Rives Township is governed by an elected five-member Board. The accompanying financial statements present the Township's entities for which the Township is considered to be financially accountable. The Township has no component units.

Joint Operations

The Township and Tompkins Township equally support and govern the Rives-Tompkins Fire Board.

The joint operation agreement provides for a 50/50 split of operating expenses and purchase of capital assets with each Township responsible for 100% of their respective substations. The Township's respective share of the joint operations is reported in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

RIVES TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, and interest associated with the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes and state-shared revenue.

Road Special Assessment Fund - The Road Special Assessment Fund is used to account for funds received from the special assessing of benefited property for paving project.

The Township reports the following major proprietary fund:

Sewer Fund - The Sewer Fund is used to account for the results of operations for providing sewer service to the citizens and businesses of the Township. The sewer system construction is planned to start subsequent to year end and no operating revenues have been generated.

Additionally, the Township reports the following funds:

Building Fund - The Building Fund is used to account for revenues and expenditures for building construction enforcement.

RIVES TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relate to charges to customers for sales and services. The sewer fund also recognizes the portion of connection fees intended to recover current costs (e.g., labor and materials to hookup new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

The Township's 2007 tax is levied and collectible on December 1, 2007, and is recognized as revenue in the year ended March 31, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the Township totaled approximately \$121,561,000 on which ad valorem taxes levied consisted of .7758 mills for operating purposes. This resulted in \$94,446 for operating. This amount is recognized in the General Fund.



RIVES TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Assets, Liabilities, and Net Assets or Fund Balance

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year is referred to as "advances to/from other funds." All property tax receivables are considered to be fully collectible.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 to 50 years
Furnishings and equipment	3 to 7 years
Vehicles	10 years

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Designated fund balance represents Township's commitment of funds in accordance with the State of Michigan Purchase Development Program to preserve farm land within the Township.

RIVES TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and all Special Revenue Funds. All annual appropriations lapse at year end. The proposed budget is submitted to the Township Board prior to the beginning of the next year. Public hearings are held, and a final budget is adopted no later than March 31. The Township Board must approve any budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control is the department level.

The government does not utilize encumbrance accounting.

3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the local governmental units to make deposits and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations which have offices in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classification, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

RIVES TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

3. DEPOSITS AND INVESTMENTS (Continued)

The investment policy adopted by the board of trustees in accordance with Public Act 20 of 1943, as amended, has authorized investment in the investments in the preceding paragraph. The Township's deposit and investment policy is in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$223,865 of deposits (checking accounts and CD's), of which \$175,000 was covered by federal depository insurance, and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes, in market interest rates, will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Township's investment policy has no restrictions on maturity lengths (other than what's found in State law described above). One of the ways the Township manages its exposure to interest rate risk is by participating in a money market which invests primarily in short-term U.S. Treasury securities.

As of March 31, 2008, the Township had the following investments:

Investments:

Treasury obligation money market fund	\$ <u>70,092</u>
Total	\$ <u>70,092</u>

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Township has no investment policy that would further limit its investment choices (other than those found in State law, described above). The money market fund does not have a rating provided by a nationally recognized statistical rating organization.

RIVES TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

4. CAPITAL ASSETS

Capital asset activity of the Township's governmental activities was as follows:

	Balance <u>April 1, 2007</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>March 31, 2008</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>190,199</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>190,199</u>
Capital assets being depreciated:				
Buildings and improvements	312,470	-0-	-0-	312,470
Furniture and equipment	192,560	4,791	-0-	197,351
Vehicles	<u>452,823</u>	<u>-0-</u>	<u>-0-</u>	<u>452,823</u>
Total capital assets being depreciated	<u>957,853</u>	<u>4,791</u>	<u>-0-</u>	<u>962,644</u>
Less: accumulated depreciation:				
Buildings and improvements	94,354	8,264	-0-	102,618
Furniture and equipment	157,453	9,428	-0-	166,881
Vehicle	<u>154,981</u>	<u>43,517</u>	<u>-0-</u>	<u>198,498</u>
Total accumulated depreciation	<u>406,788</u>	<u>61,209</u>	<u>-0-</u>	<u>467,997</u>
Total capital assets being depreciated - net	<u>551,065</u>	<u>(56,418)</u>	<u>-0-</u>	<u>494,647</u>
Total capital assets - net	\$ <u>741,264</u>	(\$ <u>56,418</u> )	\$ <u>-0-</u>	\$ <u>684,846</u>

Depreciation expense was charged to programs as follows:

Governmental activities:	
General government	\$ 8,196
Public Safety	51,962
Public Works	442
Recreation and culture	<u>609</u>
Total governmental activities	\$ <u>61,209</u>

RIVES TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

5. LEASE COMMITMENTS

Capital Lease

The Township and Tompkins Township jointly have several capital leases to finance a rescue truck, a pumper truck, and a tanker truck. The Township's share of the outstanding lease agreements include the acquisition and corresponding cost of a rescue truck for \$44,250, and pumper and tanker trucks for \$199,217. These leases qualify as capital leases. The accumulated depreciation for these assets as of March 31, 2008, was \$56,990, and the amortization is included with depreciation.

The following is a schedule by years of the Township's share of future minimum payments required under the lease together with its present value as of March 31, 2008:

<u>Fiscal Year Ended</u>	<u>Amount</u>
2009	\$ 38,725
2010	30,586
2011	30,586
2012	30,586
2013	30,586
Thereafter	<u>61,170</u>
Total minimum lease payments	222,239
Less: amount representing interest	<u>36,303</u>
Present value of minimum lease payments	\$ <u>185,936</u>

RIVES TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

6. LONG-TERM DEBT

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Primary Government:							
Governmental activities:							
Special assessment bonds, Series 2007 to finance a road project issued for \$155,000 at 6.5% interest. Interest only due 4/1/08, then annual interest and principal due thereafter	6.500%	\$ 10,000 - 15,000	\$ -0-	\$155,000	\$ -0-	\$155,000	\$ -0-
Lease obligations payable	4.809 - 5.275%	Various	<u>214,272</u>	<u>-0-</u>	<u>(28,336)</u>	<u>185,936</u>	<u>29,740</u>
Total governmental activities			<u>\$214,272</u>	<u>\$155,000</u>	<u>(\$ 28,336)</u>	<u>\$340,936</u>	<u>\$ 29,740</u>

Total interest paid for the fiscal year ended March 31, 2008 was \$10,388 for capital leases and \$6,465 for special assessment bonds.

7. RISK MANAGEMENT

Rives Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation). The Township has purchased commercial insurance for employee injury, and participates in the Michigan Township Participating Plan risk pool for claims relating to property loss, torts and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township Participating Plan risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

RIVES TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

8. COMMITMENTS AND CONTINGENCIES

The Township has co-signed two capital leases with Tompkins Township to purchase trucks for the jointly operated fire department. The Township could be liable for the entire amounts of the leases.

9. SUBSEQUENT EVENTS

The Township has entered into an agreement with Jackson County to finance a sanitary sewage disposal system for a section of the Township. The total estimated cost of the project is \$2,711,500. Subsequent to March 31, 2008, the federal grant amount was increased from \$1,500,000 to \$1,700,000, in addition to a long-term low interest loan in the amount of \$1,075,000.

## REQUIRED SUPPLEMENTAL INFORMATION



RIVES TOWNSHIP  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year Ended March 31, 2008

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
<b>REVENUES:</b>				
Taxes and penalties	\$ 80,000	\$ 80,000	\$ 105,080	\$ 25,080
Licenses and permits	-0-	-0-	3,736	3,736
State sources	310,000	310,000	327,417	17,417
Charges for services	48,000	48,000	49,408	1,408
Interest	-0-	-0-	6,220	6,220
Other revenues	<u>10,700</u>	<u>10,700</u>	<u>10,022</u>	<u>(678)</u>
Total revenues	<u>448,700</u>	<u>448,700</u>	<u>501,883</u>	<u>53,183</u>
<b>EXPENDITURES:</b>				
Current:				
General government:				
Township Board	84,500	74,500	71,631	2,869
Supervisor and assessor	54,900	54,900	51,078	3,822
Elections	26,000	26,000	14,455	11,545
Clerk	47,900	47,900	43,058	4,842
Board of Review	3,000	3,000	2,241	759
Treasurer	47,600	47,600	40,710	6,890
Cemetery	15,000	15,000	11,099	3,901
Township Hall	2,000	2,000	243	1,757
Public Safety:				
Police	21,100	21,100	18,375	2,725
Fire	186,000	186,000	123,184	62,816
Public Works:				
Roads	10,000	10,000	-0-	10,000
Street lights	5,500	5,500	5,007	493
Collection site	93,000	93,000	86,296	6,704
Sewer	-0-	29,000	16,624	12,376
Drains	5,000	5,000	-0-	5,000
Community and economic development:				
Zoning	8,000	8,000	7,349	651
Planning	3,000	3,000	2,172	828
Recreation and culture:				
Parks and recreation	6,000	6,000	5,350	650
Historical	300	300	74	226
Other - payroll taxes	21,000	21,000	15,452	5,548
Miscellaneous	<u>20,000</u>	<u>1,000</u>	<u>-0-</u>	<u>1,000</u>
Total expenditures	<u>659,800</u>	<u>659,800</u>	<u>514,398</u>	<u>145,402</u>
NET CHANGE IN FUND BALANCE	(211,100)	(211,100)	(12,515)	198,585
FUND BALANCE -				
BEGINNING OF YEAR	<u>214,296</u>	<u>214,296</u>	<u>282,405</u>	<u>68,109</u>
FUND BALANCE -				
END OF YEAR	\$ <u>3,196</u>	\$ <u>3,196</u>	\$ <u>269,890</u>	\$ <u>266,694</u>

See accompanying notes to financial statements.

**Dove & Hickey, P.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

209 E. Washington Ave., Suite 255 • Jackson, Michigan 49201  
Phone (517) 796-8880 • Fax (517) 796-8777

**MEMBERS:**

**AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**GEORGE DOVE, C.P.A.  
PAUL T. HICKEY, C.P.A.  
NANNETTE M. SPONSLER, C.P.A.  
ALLISON I. COLE, C.P.A.**

September 9, 2008

Board of Trustees  
Rives Township  
Jackson County, Michigan

Board Members:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Rives Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Rives Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

Financial Statement Report Adjustments:

During the audit we generally provide assistance in identifying and calculating certain year-end adjustments required to prepare financial statements in accordance with generally accepted accounting principles, including the requirements of GASB 34. We also assist in gathering information required for financial statements reclassifications and footnote disclosures. We are pleased to assist in this process, as we have expertise in these adjustments and reporting issues, and can generally assist in a very cost-efficient manner. We bring this to your attention since it meets the above definition of a matter to be communicated.

Other Matters:

We noted that the Treasurer's deputy pay was paid on the Treasurer's payroll check. We suggest that each employee be paid separately so that the earnings are properly reported and credited to the employee.

We believe that implementation of these recommendations will provide the Township with a stronger system of internal control while making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation. This report is intended solely for the information and use of the Board, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve you. If you have any questions regarding this letter, please contact us.

Respectfully yours,

**Dove & Hickey, P.L.C.**